

VZCZCXRO3476
OO RUEHAST RUEHBI RUEHCI RUEHDBU RUEHLH RUEHNEH RUEHPW
DE RUEHNE #0699/01 0991117
ZNR UUUUU ZZH
O 091117Z APR 09
FM AMEMBASSY NEW DELHI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6087
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 7537
RUEHRL/AMEMBASSY BERLIN 1242
RUEHLO/AMEMBASSY LONDON 6185
RUEHMO/AMEMBASSY MOSCOW 3268
RUEHNC/AMEMBASSY NICOSIA 0869
RUEHFR/AMEMBASSY PARIS 1619
RUEHRO/AMEMBASSY ROME 1390
RUEHKO/AMEMBASSY TOKYO 6229
RUEHNP/AMCONSUL NAPLES 0001
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL
RUEKJCS/JOINT STAFF WASHDC
RUEHGV/USMISSION GENEVA 8236
RUCNDT/USMISSION USUN NEW YORK 7833
RHHMUNA/HQ USPACOM HONOLULU HI
RUEIDN/DNI WASHINGTON DC
RHEHNSC/NSC WASHDC
RUEAIIA/CIA WASHDC
RUEKJCS/SECDEF WASHDC

UNCLAS SECTION 01 OF 07 NEW DELHI 000699

SENSITIVE
SIPDIS

DEPT FOR SCA/INS

E.O. 12958: N/A
TAGS: [PGOV](#) [PTER](#) [PREL](#) [PINR](#) [KDEM](#) [IN](#)
SUBJECT: INDIA SCENESETTER FOR CODEL BERMAN

NEW DELHI 00000699 001.2 OF 007

1. (SBU) Dear Chairman Berman and Delegation: Embassy New Delhi warmly welcomes you to India. Your visit coincides with a historically unprecedented level of U.S.-India collaboration encompassing everything from defense cooperation to agriculture and reflecting widespread support in both countries for broadening existing ties and building new ones. India and the U.S. have begun working more closely together than we ever have before, as exemplified by our parallel efforts to assist in Afghan reconstruction, and to cooperate on law enforcement following the November terrorist attacks in Mumbai. This level of cooperation reflects a transformation in Indian attitudes. For many decades, the default position was distrust and suspicion, but now we see an India that seeks increasingly to advance shared interests. India has entered the election season and the main parties are sharply contesting on many issues, but the positive growth in U.S. - India relations is not one of them. Your visit will give you the opportunity to judge how cooperation has furthered U.S. interests.

Chennai: Gateway to South India

2. (SBU) Your visit begins in Chennai, the capital of the state of Tamil Nadu, which is the traditional administrative and economic center of South India, one of India's most economically vibrant regions. The entrepreneurial dynamism found in South India is a major factor in India's recent ascent as an emerging economic power. Tamil Nadu's population of more than 65 million people exceeds that of France, but is packed into one quarter as much space. The south Indian states share a cultural and linguistic heritage that sets them apart from their northern neighbors, with Tamil Nadu home to the most distinct identity, heavily grounded in pride in the Tamil language. Most south Indians are Hindu, but the region is home to large communities of

Muslims and Christians. Tension between the various communities are muted in comparison to the rest of India.

¶3. (SBU) Tamil Nadu and its fellow southern states generally have better social indicators - literacy, infant mortality, and lifespan - than north Indian states. An emphasis on education and a high density of quality educational institutions has resulted in the ready availability of skilled labor. Tamil Nadu and its neighbors are also known for relatively good governance and, with the exception of communist-ruled Kerala, for their business-friendly policy environments. Together, these factors have made South India a preferred destination for foreign direct investment (FDI). Tamil Nadu joins Karnataka and Andhra Pradesh among India's top five in drawing FDI. Tamil Nadu's growth is distinct for its diversification. The state's strong IT services sector is complemented by a major automotive sector and India's largest electronics manufacturing corridor.

¶4. (SBU) South India is also politically distinct from the north. India's major national parties, BJP and Congress, face stiff competition from, and generally take a backseat to, various state-based regional parties in the south. Tamil Nadu is run by the DMK party, one of several "Dravidian" parties that emphasize the distinctness of the local Tamil people. Various Dravidian parties have ruled Tamil Nadu since 1968, when the Congress last ruled the state. Throughout Chennai you will see countless photos and paintings of an older man wearing his trademark sunglasses. He is the 85-year old MK Karunanidhi, Chief Minister and leader of the ruling DMK party. Similarly ubiquitous are the matronly photos of the leader of the opposition AIADMK party ¶J. Jayalalithaa, usually with her hands folded together in

NEW DELHI 00000699 002.2 OF 007

the traditional Indian greeting. Like the rest of India, Tamil Nadu is looking towards the upcoming elections. It goes to the polls in the last of the five stages of the elections, on May 13.

U.S. Assistance: Making a Difference in India

¶5. (SBU) Turning to some of the sites that you will visit, the Mission understands that you and the delegation are particularly interested in getting an on-the-ground feel for the effectiveness of U.S. assistance programs. Your schedule will allow you to visit several projects, and we'd like to provide some context for our programs. Although India's economy is growing at 7-9 % annually, this significant and impressive growth is deceptive. India has 456 million people, or 42 % of its population, living below the official poverty line of \$1.25 per day, and a staggering 828 million people, or 75.6 % of the population, living on less than \$2.00 per day. This puts India's poverty levels above those of sub-Saharan Africa. The rural and urban poor in India do not have the education, workforce skills, social capital or access to primary health care and basic infrastructure including water, sanitation and electricity to participate in and benefit from India's economic growth. They are generally not the focus of private investment. Deep rooted gender inequities further undermine India's potential to convert its economic growth into human development. According to the World Economic Forum's Gender Index, India ranks 113th out of 130 countries and is in the bottom five countries for economic participation and opportunity, and health and survival. The GOI and the private sector are eager for international best practices that U.S. foreign assistance offers to address this glaring economic disparity. The U.S. assistance program builds the capacity of local partners - government institutions, private sector, and civil society and non-governmental organizations - by promoting replicable models and engaging in policy dialogue that leads to higher development impact and improved resource allocations. U.S. foreign assistance, coupled with Government of India and

private sector resources, improves India's ability to achieve sustainable growth and reduce poverty.

¶6. (SBU) Health: India's growing population of more than one billion strains resources and complicates disease prevention.

More than two million Indian children under age 5 die every year, most from preventable causes, while avoidable complications during childbirth kill approximately 78,000 Indian women every year. Family planning choices are limited, with more than two thirds of women opting for sterilization as their method for family planning. The health of the urban poor is considerably worse than the urban middle and high income groups and is as bad as that of the rural population. 2.47 million people in India are estimated to be HIV positive. Although eradication efforts are promising, India remains one of four countries where polio continues. One fourth of the world's TB cases are in India, which is now the number one high burden country for Multi Drug Resistant (MDR) TB. The U.S. assistance program works in close collaboration with the Government of India and state governments in many health activities designed to increase access to family health care, nourish needy mothers and children, fight infectious diseases, and prevent HIV/AIDS.

¶7. (SBU) Education: India has achieved significant progress in increasing access to basic education. However, improving the quality and relevance of education remains a major challenge for the public education system. Despite massive government investment in the sector, student learning levels

NEW DELHI 00000699 003.2 OF 007

continue to be alarmingly low across most schools in the country, leading to large numbers of children dropping out of school. Approximately 50.8 % of children in India drop out at the elementary level, while at the secondary level, as many as 62 % drop out. Enrollment in higher and technical education is only about 11 %. High drop out rates at all levels negatively impact long term employment opportunities. U.S. assistance to India provides quality education to marginalized children, including Muslim minorities, promotes the use of technology to improve the teaching and learning, and supports interventions that link education to employment.

The overall approach is to initiate pilot projects, demonstrate success, and partner with the government and the private sector for scale-up and sustainability.

¶8. (SBU) Energy: India is a major producer of Green House Gas (GHG) emissions, with the power sector the largest single contributor. Indian power stations, characterized by old equipment, inefficient technologies, poor maintenance practices, and low quality coal, are some of the highest GHG emitters in the world. Given India's dependence on coal for power generation, efforts to reduce GHG in this sector are critical. The key challenge therefore is to move India towards clean coal technologies. Nearly 20 % of villages and 32 % of households do not have access to electricity. Development of an efficient and modern energy system is also necessary to sustain India's economic growth and social development. U.S. assistance is designed to assist India significantly advance its quest for better infrastructure by reducing electricity distribution losses, improving end-use efficiency, and advancing market based solutions for the co-management of energy and water.

¶9. (SBU) Water and Sanitation: For many Indian cities and towns facing the challenges of growing populations and urban expansion, providing direct access to clean, affordable, and reliable drinking water is a significant challenge. Currently, only a fraction of the urban population has direct access to clean piped water, often because of inadequate and inefficient supply systems. The delivery of water and sanitation services in cities is particularly important because of their direct impact on human health and productivity. To help address the urgent need for investment in water and sanitation infrastructure across the country, USAID is testing two sustainable models for providing

affordable and equitable access to safe drinking water and sanitation in the Indian states of Orissa and Madhya Pradesh.

¶10. (SBU) Agriculture: Addressing the challenges of food security requires a renewed effort on developing agriculture in India. The country is one of the largest producers of food grains in the world, feeding 17 percent of the world's population on only three percent of the world's arable land. And yet, with 600 million Indians dependent on agriculture, inefficiencies in the agriculture sector, including lack of scientific information and low adoption of new technologies and poor linkages between farmers and markets, disproportionately impact rural populations, which have particularly high rates of malnutrition and poverty. Improving agricultural productivity in India helps raise the incomes of poor rural farmers and helps mitigate global food shortages and volatile pricing. Indian farmers, however, will have the difficult task of meeting the food needs of a growing population while coping with decreased area of arable land, increasingly scarce water supplies, and greater intensity and frequency of extreme weather events such as floods and drought caused by global climate change. The U.S. response to the food crisis in India, integrates immediate, near-term, and longer-term activities in four key areas: 1) humanitarian assistance and social protection measures to

NEW DELHI 00000699 004.2 OF 007

help mitigate the risks of high food prices to poor people; 2) activities to boost agricultural productivity and improve soil and water resource management; 3) linking farmers to markets and promoting the efficient flow of goods and services through strengthened value chains; and 4) disaster preparedness and mitigation and early warning systems for floods and droughts.

¶11. (SBU) Law and Human Rights: Deep-rooted gender inequalities continue to undermine India's potential to translate its economic growth into inclusive development. Despite progressive laws and policies, much more remains to be done. One in three Indian women faces some sort of domestic violence, the sex ratio of female to male children is one of the lowest in the world, and almost 50 % of girls marry before the legal age of 18. There are an estimated three million commercial sex workers, of which, approximately 40-45 % are children, largely girls. India is ranked 113 out of 130 countries by the World Economic Forum's (WEF) 2008 Gender Gap Index, and is among the ten worst gender biased economies in the world. USAID's access to justice program works with Indian NGOs to advocate for legal and institutional reforms; shift popular attitudes on issues like dowry and sex selective abortion; and increase access to legal rights information and redressal services. The program puts a special emphasis on the needs of Muslim women. USAID addresses the issue of trafficking of women and children by building the capacities of various stakeholders on minimum standards of care and protection and strengthening the community-based protection processes.

¶12. (SBU) Disaster Management: Every year, India consistently ranks among the top five countries in the world in terms of lives lost, people affected, and economic loss from natural disasters such as floods, drought, cyclones, tsunamis, and earthquakes. Human-caused hazards include hazardous wastes, chemical spills, industrial accidents, civil strife, and terrorism. Large events create havoc and can lead to instability in the affected area; smaller scale, recurring events set back development gains for many years. Recognizing the immense need to reduce vulnerability to disasters, the Government of India has taken a new approach that fosters disaster resilience and includes preparedness and mitigation as well as relief and recovery. For the past six years the U.S. has worked with the Government of India, through the Disaster Management Support (DMS) project to address the challenges of disaster mitigation and response. It draws on a range of U.S. government partners-such as the Federal Emergency Agency, the U.S. Forest Service, the

National Oceanic and Atmospheric Administration, and the U.S. Geological Survey - to provide expertise and exchange information with Indian counterparts.

Domestic Political Landscape

¶13. (SBU) During your meetings with political figures in New Delhi, the ongoing election campaign will be in the forefront of their considerations. National parliamentary elections will take place across India from April 16 through May 13. The political season will enter its final phase by June, when the new Parliament will convene and the next government will be sworn in. It remains impossible to predict which party will emerge on top in the national elections, but it is safe to say that whichever party forms the government will have to rely on a diverse coalition with the smaller regional parties. Both the BJP and the Congress support a closer U.S.- India relationship.

The Politics of Terrorism

NEW DELHI 00000699 005.2 OF 007

¶14. The anger over the November Mumbai attacks may be less visible now, but India still expects Pakistan to arrest and try Pakistanis involved in planning and organizing the attack and to dismantle terrorist infrastructure. In addition to their reactions against Pakistan, Indians directed an unprecedented level of fury at their own political establishment which they feel failed to protect them. This helped propel new anti-terrorism legislation to further empower local police in terror related cases and to establish a new police organization to investigate terror incidents, the National Investigation Agency. Additionally, the public's reaction pushed the Congress Party-led government of Prime Minister Singh to shelve the bilateral Composite Dialogue that was focused on resolving contentious issues between India and Pakistan, including Kashmir. While the GOI and Congress Party leaders have made muscular statements demanding the GOP investigate and prosecute those involved in the attack, India's strategy so far has been to pursue a diplomatic rather than a military solution. India has launched a worldwide diplomatic offensive to put pressure on Pakistan.

Increased Cooperation

¶15. (SBU) Post-Mumbai there has been unprecedented cooperation between U.S. and GOI law enforcement and intelligence agencies, most notably with the FBI. The U.S. continues to highlight this burgeoning cooperation and importance of India's counter terror efforts with almost monthly visits of high level U.S. officials, including the FBI Director Mueller and CIA Chief Panetta. Whereas in the past the GOI has been a reluctant law enforcement partner, today Indians are far more amenable to accepting our offers of counterterrorism assistance and training. Moving forward, we believe the most constructive approach to take with the GOI is to continue offering assistance and to encourage the GOI to focus on improving security preparedness and prevention of terrorist attacks.

Civil Nuclear Cooperation

¶16. (SBU) India viewed the signing of the U.S. - India Civil Nuclear Cooperation Agreement as an historic event and as an essential part of transforming our relationship. India has since followed through on its nonproliferation commitments by signing its IAEA Safeguards Agreement and concluding an Additional Protocol with the IAEA. We expect the next government to implement commercial cooperation, giving U.S. firms access to an estimated \$150 billion of business and leading to the creation of thousands of high-skilled American jobs. The Agreement no longer dominates the headlines, but the goodwill it generated has also contributed to improved cooperation following the Mumbai terrorist attacks and

receptivity toward President Obama's Afghanistan-Pakistan strategy.

Regional Issues

¶17. (SBU) Under Prime Minister Singh's leadership, the Government of India is emerging as a responsible leader in the region and in Asia at large. India's foreign policy can best be summarized as "be friends with everyone." India is seeking to increase engagement with the U.S., China, EU and Japan. India's top priorities include maintaining healthy relations with neighbors to promote stability and access to resources, countering terrorism, and pursuing a seat on the UN Security Council in order to institutionalize India's global status. Pakistan/Kashmir is seen as the most immediate threat in the region and China is seen as the long-term, strategic threat. India encourages democracy in

NEW DELHI 00000699 006.2 OF 007

the region, but is concerned about continuing political instability in both Nepal and Bangladesh and the humanitarian situation in Sri Lanka. We have followed closely as India and China have sought warmer relations by engaging in a strategic dialogue that separates the contentious border issues from a broader engagement. India is the fifth largest donor to Afghanistan's reconstruction, pledging more than \$1.2 billion to date. While we have made remarkable progress in our bilateral relationship over the past decade, greater cooperation on regional and global issues remains an area for us to build on.

Economic Ties

¶18. (SBU) The U.S.-India economic relationship, for decades narrow and circumspect, is gathering steam and is becoming a key driver of our overall bilateral relationship. The United States is India's largest trading partner and one of its largest foreign investors. Two-way merchandise trade grew to a record USD 44.4 billion in 2008, a 76% increase from 2005. At the same time, investment has surged between our countries in recent years, prompting agreement to launch negotiations this spring on a Bilateral Investment Treaty. India was represented by its economist Prime Minister at the London G-20 Summit on April 2. The Indian delegation has supported U.S. calls for economic stimulus and has been looking to the U.S. to lead on resolution of the banking crisis as a necessary step towards global economic recovery. India has expressed concern about protectionist measures in the developed countries having a disproportionately damaging effect on more vulnerable developing countries, which India sees as victims of a crisis they did not create.

¶19. (SBU) The Indian economy continues to be the second fastest growing economy after China, even as the global slowdown and financial crunch moderate GDP growth from 9% in fiscal year (FY) 2007-08 to an anticipated 6.5-7% in FY 2008-09, which ended March 31. Growth in calendar year 2009 is expected to be in the 6% range. Most of India's growth is domestically generated and the government's pre-election expansionary budget provided a fiscal stimulus that has helped sustain consumer demand. India's conservative central bank had restricted many of the derivative innovations linked to the global financial crisis, creating insulation for much of the banking sector. However, India's globalizing companies and banks are feeling the pinch of tougher foreign financing conditions, but this has not prompted the private sector or the government to denounce India's integration with the international financial system. Rather, India's central bank and SEC-equivalent have liberalized foreign capital inflows and investment procedures. The government was also quick to offer concessions to the labor-intensive textile and jewelry export sectors, hit by slowing global demand. The Labour Ministry estimates half a million jobs (out of India's roughly 500-million strong labor force) were lost between September and December, mainly in hard hit export industries. The Commerce Secretary recently stated he sees export demand

leveling out in April after several months of contraction, with the worst of job losses over.

¶20. (SBU) As India heads to the polls in mid-April, there are some signs of recovery in industrial production, such as steel and auto sales. In addition, sales of lower end consumer goods remain high, fueled by increasing purchasing power in the rural sector and tax reductions. Anecdotal reporting from around the country indicates that the government's programs geared towards rural employment and infrastructure, as well as farm debt relief and high price supports to the agricultural sector, have boosted rural incomes. In the medium term, India will find it hard to

NEW DELHI 00000699 007.2 OF 007

increase or even sustain its high growth rates unless it undertakes a second generation of critical but politically difficult reforms, especially in the financial, energy and agricultural sectors, education and labor laws. Regardless of who wins, we expect the new government to continue economic liberalization. As it is, lagging growth in agriculture and a weak - but improving - infrastructure constrain growth. The top Indian economic priorities are physical and human infrastructure development and spreading economic benefits into rural India.

Agriculture: An Opportunity to Build Partnerships

¶21. (SBU) The Agricultural Knowledge Initiative (AKI) was launched in 2005 by President Bush and PM Singh and is in the process of wrapping up the previously agreed joint projects. The Indians have told us they are eager to continue bilateral cooperation in this sector that employs almost half of all Indians workers, many at a subsistence level. The Indians have responded positively to our concept of a multi-pillar approach to knowledge sharing including; productivity, market efficiency, environmental sustainability, and finance/insurance. This approach would procedurally look similar to our successful Energy Dialogue with India. However, we will not be able to table our proposal to India until we can back it up with significant USG funding.

BURLEIGH